

J. S. MORRILL

## INTERNAL REVENUE BILL.

### SPEECH

OF

# HON. JUSTIN S. MORRILL, OF VERMONT,

IN THE HOUSE OF REPRESENTATIVES, MAY 7, 1866.

The House resolved itself into the Committee of the Whole on the state of the Union, (Mr. WASHBURN, of Illinois, in the chair,) and proceeded to the consideration of the bill to amend an act entitled "An act to provide internal revenue to support the Government, to pay interest on the public debt, and for other purposes," approved June 30, 1864, and acts amendatory thereof.

Mr. MORRILL said:

Mr. CHAIRMAN: Let me say at the start, lest gentlemen should be too much frightened, that the great length of the bill before us mainly arises from the fact that the Committee of Ways and Means thought it advisable, wherever in the course of the revision a section of the old law was amended, even though but slightly, to strike out the old section and reinsert it as amended. This vastly swells the size of the bill, but will be much more convenient for those who are to interpret or administer the law hereafter. In revising our internal revenue laws, the question that meets us at the threshold is, how much revenue have we to spare? Or how much will our necessities require for another year? The last question has been specially answered by the Secretary of the Treasury, who has fixed, in a recent communication to the committee, \$350,000,000—provided the appropriations of Congress do not exceed the estimates—as the sum it would be safe to rely upon, including the revenue from the tariff as well as internal taxes. In making an estimate of the probable receipts from the latter, we have as a basis one full year and three fourths of the present year of experience, and the data are sufficiently complete to be of value. Our receipts for 1864-65 were, in round numbers, \$210,000,000, and the returns thus far of 1865-66 show that we may expect for the year an increase of nearly fifty per cent., or not less than from three hundred to three hundred and five millions. One of the largest and best paying consumers of the products of the country during the war was the Government, but is so no longer. War prices no longer rule, and it is inevitable that manufactures must be still further reduced in values until we reach the solid standard of gold as recognized by the commercial world. The tax on manufactures, therefore, must be

far less productive for the year ending June 30, 1867, than heretofore, as it will be computed at a less percentage, if our bill should be adopted, and on a far less aggregate amount. Then, as a general rule in a season of falling prices, it is not gains but losses which must be calculated at the end of the year; and therefore the tax on incomes, the dividends from banks and other corporations for the next year, cannot be expected to yield anything like the amount derived from these sources for the years ending December, 1864, and December, 1865. Nor can our foreign importations be maintained upon their present scale. It is very desirable that they should not be as they are supplanting a large share of the labor of our own people, and because payment will at present be made chiefly in United States bonds. Financial disaster, as well as increased depression to our industrial interests, cannot fail to follow such an influx of foreign goods as we have witnessed the present season. That trade must in some degree be postponed until we recover from the exhaustion caused by the war, until capital and labor can adjust itself to its new conditions of peace, or until we have something to exchange for British, French, and German iron, wine, and haberdashery, besides merely our national credit.

It is right, however, to look for some increase of revenue in consequence of the close of the war, and we may expect something from the States lately in rebellion, though not an amount in proportion at all to their relative numbers. Never fruitful in taxable resources, they have less now than ever. If we obtain outside of the receipts from cotton enough to cover the bills already passed in one or the other House for extra expenses on their account, it will equal my expectations. Taking all these things into consideration, as well as others not necessary to mention, the Committee of Ways and Means have felt willing to report the bill as it stands; which will reduce taxation the present year in round numbers about seventy-five million dollars.

It is also prudent to anticipate a large diminution of the revenue from customs, as it ought not to be expected to long continue at double the amount ever obtained in the most prosperous times. Our receipts from miscel-

laneous resources the coming year will be very light, as they have recently accrued mainly from property disposed of at the close of the war, and premiums on sales of gold, sources already nearly extinct.

We seek to make some compensation for these losses by increasing the tax on raw cotton three cents, or by raising it from two to five cents per pound. Supposing that two million bales should be raised this season and be taxed—and I think the amount will be considerably greater notwithstanding the actual want of good seed, and the changed system of labor—we ought to obtain a revenue from this source of \$44,000,000, or an increase over the tax at present in force of \$26,400,000. The crop may so far exceed the number of bales mentioned as to cover all the cotton which will escape taxation, or which will be used on plantations, and all that will be exported in the shape of manufactures and upon which a drawback will be allowed; but it will be safer to estimate probable receipts on a lower basis. All human calculations are subject to contingencies, and financial calculations are perhaps most exposed to be shipwrecked of all; but if we retain the tax on cotton as proposed, we can safely release, in my opinion, taxes to the extent contemplated by the bill. Otherwise we must reinstate something already stricken out of the roll of taxation by the bill, or find some new source of revenue which will produce an equal amount; and I say this without feeling very confident that the rates for the income tax will be allowed to be changed much from the existing law.

<i>Treasury receipts for fiscal year ending June 30, 1865.</i>	
Customs.....	\$84,928,000
Internal revenue.....	209,464,000
Miscellaneous.....	35,175,126
 Total receipts, exclusive of loans.....	 <u>\$329,567,126</u>

<i>Estimated Treasury receipts for fiscal year ending June 30, 1866.</i>	
Customs receipts to April 1, 1866, (actual)	
(coin).....	\$128,967,375
Internal revenue to April 1, 1866, (actual)	243,890,548
Miscellaneous (actual) premium on gold.	
&c.....	37,183,309
 Actual aggregate receipts to April 1..	 410,041,232
Estimated custom receipts, April 1 to	
June 30.....	30,000,000
Estimated internal revenue, April 1 to	
June 30.....	60,000,000
Estimated miscellaneous, April 1 to June	
30.....	1,500,000
 Total aggregate receipts from all	 
sources for the fiscal year ending	
June 30, 1866.....	<u>\$501,541,232</u>

<i>Estimate of receipts for the fiscal year ending June 30, 1867.</i>	
Customs .....	\$125,000,000
Internal revenue.....	260,000,000
Increase on cotton.....	15,000,000
Increase on spirits.....	15,000,000
Miscellaneous .....	10,000,000
 Requirements of the Secretary of the	 425,000,000
Treasury .....	<u>350,000,000</u>
 Available for reduction of taxation.....	 <u>\$75,000,000</u>

It will be seen that I estimate a reduction in the revenue received from manufactures, on account of a depreciation of values, of about twenty-five per cent., and a reduction upon incomes and dividends of rather more than that amount. It is true that we shall be likely to have a more perfect administration of the law; and I take pleasure in saying that the present Commissioner is a most diligent and conscientious officer; but the increase of revenue on this account will be at least counterbalanced by many little favors distributed all through our amendments, and which it is impossible to accurately estimate.

We could not, if we would, levy an export duty upon cotton, and, except for convenience of collection, an excise tax may be better, as, in the form it is here proposed, it is not necessarily to be paid by the planter, and may, in the same manner that we now transport spirits, be removed from one collection district to any one other, upon giving bonds for the payment of the tax within ninety days, or upon its arrival at its place of destination. The duties will practically thus be paid by the purchaser. In addition to this, while we guard our political citadel here against the dangers of any insidious treason from any quarter, when it comes to taxation we should not only be just but generous, and the drawback on manufactured cotton, of all the taxes actually paid, in any form, will redound most to the benefit of southern and western States. They will at once manufacture coarse cottons and yarns and warps much more extensively than they have hitherto done. And the southern people will be the last to surrender the system of a tax on cotton, when once it shall be adopted and understood. Until the production of cotton shall be so large as to reduce the price below twenty cents per pound, or exceeds the wants of the world, this tax will not be greatly felt by Americans. Should the tax at any time operate adversely to our interests, as I do not think it can at present, it must be reduced or removed as experience shall seem to require. Surely, if the entire cotton crop of the United States, save what we consume, could be exported in a manufactured state, or even in a partially manufactured state, instead of exclusively as a raw material, it would be an end worthy of statesmen, covering our country with blessings, and, wronging no man, would do much toward extinguishing resentments and restoring kindly feelings throughout the land. The southern coast, and the banks of the Rio Grande, the Mississippi, the Mobile, the Tennessee, and the Savannah would soon be decorated and enlivened by factories, giving employment to thousands, and bringing the culture and contentment, the social life and comforts of organized industry into regions where hitherto useful labor has worn the badge of dishonor. The saving in freightage, and in the cost of food, will secure at least handsome profits—possibly large profits—to those who may engage in the business. With prosperity human nature is rarely disposed to make war. Make the South prosperous, and we make them our friends.

With freedom for all, and with such measures as will induce them to work, they may become prosperous, and that through the policies of the national Government. Even though the cotton crop the present season should be but a half of the standard crop, the price will be so great that the South will realize more money from it than in any year of our previous history, as the laws of trade for the last seventy years prove that a short crop is always more valuable than a full one, and hence the uniform effort to hide the fact of a great crop.

The shrinkage of cotton in the process of manufacture is about fifteen per cent., and that amount will be lost to the manufacturer in the drawback, and gained to the Government. The principle is not novel. We return duties upon imported goods when reshipped, and we gladly allow spirits, tobacco, and all sorts of domestic manufactures to go out of the country without the payment of any internal tax. If it were possible to ascertain with any precision the tax paid on other raw materials when manufactured for exportation, as we can on cotton, as, for example, upon leather or iron, we should consider it unquestionably wise to refund the full amount paid.

*Exports of the Manufactures of Cotton.*

1853.....	\$8,018,652
1856.....	6,583,109
1860.....	5,141,044
1863.....	954,835
1865.....	764,761

The largest export trade we have ever known of the manufactures of cotton was in 1853, when it was a trifle over eight million dollars; but in consequence of the low-priced Surat cotton and the lower-priced labor of Europe it has steadily declined since that time, and during the late war nearly ceased, not reaching \$1,000,000 in 1865. Pass the present law, however, and we shall speedily have restored to American manufacturers and American merchants the full amount of the foreign trade we ever enjoyed, and in due time our country will assume that supremacy in the cotton trade of the world to which it is so legitimately entitled.

The system of levying a tax upon home manufactures would never have been dreamed of but for the grave necessities of the hour. Our Treasury was exhausted; our people were unused to paying taxes; a large party among our people were not in harmony with the idea of maintaining the Union at all hazards and at any cost; loans at home could only be obtained at first in dribbles; among foreign nations, with aristocracies everywhere dominant, it was an irrepressible joy for the organs of public opinion to speak of our country as "the late United States;" among them all there was no Louis XVI to send us a man or to lend us a dollar, or (with the single exception of Russia) even to bid us God-speed in the task of putting down a rebellion the most wicked in the annals of mankind; and a war—not a little war, but a great war—such as our country must and will always wage, if it wages any, of illimitable proportions had already begun. Under these circumstances we girded up our loins and became self-reliant—alone but independent—and built

up the credit of the great American Republic in the hearts of our own people; made them see and feel that it would be safe to trust it, by seeking objects of taxation which would yield promptly and yield abundantly. The experiment proved a success. During the whole term of the war it was borne by our manufacturers and by our whole people, not only without complaint but absolutely without injury, for it is even doubtful whether they ever enjoyed a season of greater prosperity. The law was new and therefore not polished and perfected by experience or revision, but first put into operation by the distinguished gentleman from Massachusetts, [Mr. BOUTWELL,] it at once vindicated the propriety of its principles and policy. Often amended subsequently in consequence of the increasing wants of the Treasury—bearing the misfortune of frequent changes, too, in its chief administrative officers—it soon brought forth most bountiful supplies and disclosed a resource of unequalled magnitude that can be used in any sufficiently urgent crisis, and which is an ample requital, rendered at the hour of our greatest need, for all the protection, direct or indirect, ever bestowed upon the products of domestic industry. Without these products of a free people we should have been as weak as our foes, and, if not vanquished, we should have retired after a single indeterminate campaign.

To illustrate the wonderful fecundity of a tax on manufactures take but a single instance: the little stamp tax of one cent upon each box of matches produced last year about fifteen hundred thousand dollars, or enough to arm, transport, and keep in the field fifteen hundred men. And this tax had not only to contend with the stocks on hand but for some time with extensive fraudulent importations. The tax may be expected to produce much more hereafter.

But now the duties of peace return, and we must simplify our laws, reduce the burdens of tax-payers so far as possible, and cheapen the cost of living. All cannot be done at once. We shall, do the best we can, leave something to be done by the next Congress and by future Commissioners of Revenue. At an early day spirits, malt liquors, tobacco, cigars, cotton, stamp taxes, and perhaps a small number of other objects, it is to be hoped, with custom duties, will afford revenue commensurate with all the wants of the Government. The fixed economy of all civilized nations requiring large revenues appears to be to squeeze out of those articles considered as luxuries by mankind—or which sustain and soothe but never slake habits deplored by good men everywhere—the largest sums which the most stringent laws will secure, and our practice in this respect from this time forward should doubtless conform to that of the world. Some changes are now proposed relative to tobacco and cigars, concerning the utility of which I have serious doubts. I fear the door which for the past year seemed effectually closed will be again opened to fraudulent practices, and that the revenue as well as the honest dealer will suffer. Still we must not be deaf to any well-founded com-

plaints of the people. I know that gentlemen, for whose opinions and wishes I have great respect, from districts where low-priced tobacco is produced find their people clamorous for grading the tax according to values. On the face of it the claim would seem to be just. But I am told by officers connected with the administration of the internal revenue laws that the law as it now stands is working well, and that the tax on smoking tobacco should not be reduced. Experts believe that any fair discrimination cannot be honestly enforced, and the loss to the Treasury may be large. The tobacco-growing and manufacturing interest, it is true, has been and is now greatly depressed, but not so much on account of the form or amount of the tax as on account of the large influx of untaxed tobacco which flowed into our markets upon the cessation of the rebellion; and it may be added, too, that our tariff upon foreign cigars is much too low.

The bill proposes to wholly exempt from taxation many articles, and to largely reduce it upon others, and among these will be found slaughtered animals, salt, sugar, starch, coal, soap, vinegar, saleratus, clothing, and boots and shoes. These exemptions and reductions will lessen family expenditures and be a relief to all classes of the community. Dress-makers and milliners, wielding a potent influence, as they do, will no longer be treated as men, subject to taxation, but as deserving of favor. Though they may tax us, we do not propose to tax them. Provisions or products of the farm it has been the policy from the start (and its wisdom has been only exceptionally questioned) to keep free from taxes. All fertilizers, draining tiles, and many of the more expensive implements of agriculture it is now also proposed to relieve. Freights, perhaps the most indefensible tax we have had, perpetually checking commerce and adding to the price of purchases as well as diminishing the price of sales, it will be seen are to be utterly abandoned, as are all the articles in schedule A, except gold watches, silver plate, billiard tables, and carriages valued above \$300, as by the testimony of the collectors the tax upon all the other articles therein embraced amounted to less than the cost of collection, while it imposed domiciliary visits, always obnoxious to a spirited people. It has been considered important not to check any enterprise for building or for repairs of buildings, and to this end building materials, such as brick, freestone, marble, slate, roofing-slate, lime, and cement, have been placed on the free-list. The tax imposed upon paper, books, and binding, entertained with little hospitality from the first, is surrendered the first opportunity without regret. The tax on knowledge, as it has often been styled, if it ever existed, it is to be hoped will be now abandoned. The tax upon all repairs, always indefinite and of dubious propriety, may also well be removed. If a horse runs away with a carriage, or a locomotive gets smashed, it seems oppressive for the Government to seize the opportunity of such misfortunes for levying a fresh tax.

We have proposed to exempt coal from any

tax. If we regard it as an article of fuel we cannot any longer afford to dealers the excuse of a tax for a dear price. If we look upon it as the raw material from which gas is made, the tax on the latter would seem to be as great as we ought to subject an article so indispensable to the population of all our cities and most considerable towns. If we look upon it as the chief source—the hidden giant—of steam power, which drives so large a part of our machinery used in manufactures, from which so much of our revenue accrues, it certainly presents strong claims to be free.

Iron being an article of such large consumption, shaped into such multifarious forms for the use of mankind, employing numbers so vast in its production, and an abundant supply being almost a prerequisite in peace or war to national independence, the Committee of Ways and Means have been willing to wholly exempt pig iron, railroad iron, railroad iron rerolled, when in the form of, and to leave but three dollars per ton upon bar iron. Cheap iron is an advantage to the whole country, and especially so to agriculturists, to artisans, and even to the day laborer who wields but an ax or a spade. It is also important that we should not discourage railroad enterprises by making their cost so great as to frighten away all capitalists. Our iron should be made at home, but let us give our own people a fair chance to make it cheaply.

That the universality of a tax upon all descriptions of manufactures, in any state or condition when offered for sale, tends to a duplication of taxation, is sufficiently obvious, and the Committee of Ways and Means have sought to remedy this evil so far as they could consistently with their duty to the Government, whose wants though diminishing are still imperative. The increase of the tax on all manufactures last year, one fifth, or twenty per cent., as our law of last year provided for, it is now proposed to repeal. Steel being in the nature of a raw material, a manufacture in its infancy and in some peril from the pressing competition of the Old World, it is deemed expedient to entirely exempt from tax, and more especially as it will mostly be taxed when it reaches a more advanced stage of manufacture. The same argument applies to iron, which we have not yet felt able to wholly release; and also to copper, lead, zinc, and brass, which we do propose to release. The bill, however, will show for itself. The reductions have been made with the sole view of the greatest good of the greatest number; and in the main I hope they will be accepted by the House. It is very likely to be true that many articles not now relieved can be pointed out having equal claims with those proposed for favor; but the answer is, civilly but firmly, the time for those has not yet arrived. The release of the tax upon many articles has not been done so much to favor them or any particular branch of manufacture as to favor those which remain still bearing the burden of taxation.

The removal, so far as it at present seemed prudent, of the constant duplication of taxes,

will certainly tend to diminish the cost of a large number of articles, but until we reach the solid basis of a currency equal in value to coin, prices must remain dear and unstable, and producers and manufacturers, while working under circumstances of inflated cost, will be exposed to the chances of making sales in a falling market. The reduction must come at some time, and the pain will be severe if it comes suddenly, or lighter if it comes more slowly. It is the same in the sum total whether hastened or retarded.

Savings banks, or provident institutions—by far the most appropriate name—it will be seen are to some extent relieved from the tax on deposits, entirely relieved when such deposits are invested in United States securities or when made in sums not exceeding \$500 by any one person. It cannot be doubted that it is sound public policy to induce those having but small earnings to establish a habit of thrift and economy by using these savings banks as a place of trust. Does it not speak well for the character of our people, as well as that of our country, that these institutions now hold of these small earnings of the common people \$500,000,000? Where else can a similar fact be cited? Women, young persons, and those unskilled in making loans and taking securities, who possess too little to be reached separately by taxes, should not be taxed when assembled together, but rather deserve the paternal care of the Government.

The tax on the gross receipts of express companies was raised in the bill as first reported from three to five per cent., but, upon further consideration, in the revised bill the rate has been restored to what it is now by existing law. When we are reducing taxation in every direction, it appeared too invidious to single out one class of business, and that one giving marked distinction to American enterprise, and doom it to a tax equal to twelve or fifteen per cent. upon its net annual receipts.

The tax upon telegraph companies has also been placed upon the same level, or reduced from five to three per cent. One of the companies last year paid to the Government a tax upon \$700,000 gross receipts, amounting to \$35,000, when they had made an absolute loss of \$100,000, or \$65,000 besides the tax.

Express and telegraph companies may not all deal liberally with the people, and may seek extravagant profits, but the Government of the United States could hardly be expected to base its legislation upon resentments thus engendered unless the companies were the creatures of its own creation. Such abuses are more properly corrected by State legislation, or by even the more potent influence of competition and public opinion.

The tax in schedule A, although one of an inquisitorial character, and therefore objectionable in form, has been retained in part by the committee on the ground that the owners of carriages valued at over \$300, and gold watches and silver plate, were among those persons best able to contribute something to the support of that Government under whose

protection they have been able to acquire articles indicative of wealth and assured means of support.

The law in relation to licenses, it will be seen, has been entirely changed in form, although the substance of the tax will be found adhering to it. A special tax takes its place, and will, it is supposed, do equal service without being liable to the objections made in some quarters that it is an attempt to regulate the internal commerce of the States. Members of the House are aware that a case is still pending in the Supreme Court of the United States involving the constitutionality of the existing license law, and that this case, after having been tried, was considered of so much importance as to be postponed until next term, when the decision, whatever it may be, will be announced. I do not suppose that the court will be very eager to overturn the legality of laws which find precedents in our Statutes-at-Large almost from the foundation of the Government, but other gentlemen may think differently, and from abundant caution, as we are revising the internal revenue laws, and as the technical objection, if there be one, can be so easily removed, the Committee of Ways and Means have made the alterations to meet any circumstances that may arise, whatever they may be. There is no necessity for transcending our legitimate authority, which is merely to obtain the proper amount of lawful revenue in the least objectionable form.

It is not proposed at this time to change the rate of the tax on spirits nor upon malt liquors, mainly that we may have the law of high rates in operation a sufficient length of time to test its real value for revenue purposes, and incidentally, no doubt, its value as a mode of repression in the consumption of intoxicating beverages. For the largest revenue purposes, the rate of two dollars per gallon, although the time elapsed since its adoption is too brief to definitely settle the question, seems likely to prove unsatisfactory; and if it were an original question, the recommendation of one dollar per gallon by the revenue commission would not be disregarded by the Committee of Ways and Means. It is very clear that the whole tax fails to be collected, as the price has at no time or at any place been equal to the cost of spirits with the tax added thereto, and in some parts of the country the price has occasionally been below even the amount of the tax. The amount of spirits of domestic manufacture returned to the assessors for 1865 was 16,936,778 gallons as against 85,285,391 gallons in 1864, showing a falling off of nearly four fifths of the whole amount. It is to be noted, however, that much was distilled in 1864 in expectation of an increase of the tax, and this accounts for a diminished business in 1865, but does not prove a diminished consumption. Notwithstanding the heavy increase of duties upon foreign liquors, the total importations have not been materially curtailed. Our experience is likely to correspond with that of the world, which is, that the appetites of men for spirituous liquors are held in check very little by high cost unless

that cost is very exorbitant, and only those in the most indigent circumstances check the regularity of their indulgence or surrender any portion of their accustomed allowance.

It is curious to note that iron manufacturers, in making up the calculation of the increased cost of a ton of iron, put in \$2 50 as the increased cost of whisky, and the employer is compelled, no doubt, to increase the amount of his monthly pay-roll to cover this new item in the cost of living. It may be inferred that the consumption of liquors in the length and breadth of the land is as large as ever, but that the tax has not been, possibly cannot be, collected. The great temptation to illicit distillation and to smuggling which arises in cases of the imposition of high duties upon liquors calls for the enactment of stringent, almost despotic laws, not merely for the punishment of fraudulent practices, but for the protection of the honest importer and honest distiller. Owling, or the carrying of wool out of the kingdom, was formerly punished in England by the imposition of heavy penalties, and we have found that the introduction from Canada of tin babies filled with whisky by their reckless parents can only be suppressed by heavy penalties and by their prompt enforcement. That a large trade has been carried on the past year in the manufacture of small copper stills there is abundant evidence. If these should be suffered to be used clandestinely, as it is to be apprehended may have been the design, not only would the Government be deprived of a large amount of revenue, but public morals would be more or less debauched. The Committee of Ways and Means recommend, with some modifications, a large part of the changes in the law as to spirits proposed by the revenue commission in order to increase its efficiency. It is believed that the country, as well as Congress, are in favor of obtaining the maximum amount of revenue from spirits, and that we are not so eager to reduce the cost of intoxicating liquors as to be unwilling to wait until experience has fully tested the policy or impolicy of the highest rate of taxation as now fixed by law. It is understood that the method of mixing wood-acid with alcohol, as practiced in England, so that alcohol might be used in the arts and manufactures without the payment of any tax, has proved a failure, it having been found that such methylated spirit can be rectified and made into pure spirit again without any offensive smell. If any chemical preparation could be found which would accomplish this object its discovery and adoption would be a great relief to many legitimate branches of arts and manufactures.

The Committee of Ways and Means have proposed some modifications of the income law, but have not reached the conclusion, while the industrial employments must remain to a considerable extent heavily burdened, that it can yet be wholly dispensed with. By its terms, as originally passed, it was to expire in 1870, and thus a temporary character was put upon its face. In our great emergency it contributed, not to be returned again with interest, a larger amount than the richest bankers

in Europe would have loaned to us even at sixty per cent. discount. Our loyal people paid the income tax of 1863, in June, of \$20,740,451 33, and then (estimated upon the same lists) they were called upon in four months to pay another income tax, and they responded by contributing \$28,929,312 02. Again, in 1864 their income tax foots up \$59,000,000. I point to these facts not only as a proud evidence of their patriotism and wealth, but as a proud evidence of their strict integrity of character. Strong as the temptation might be for evasive returns, sore as they might be in consequence of the swift pursuit and the continuous exactions of the tax gatherer, they even paid more in 1863 upon the second call than the first. Their country was in need, and even the greed for gain could not tempt the American people to defraud their Government. The law left it almost to the conscience of each man as to how much he should pay, and all seemed to vie with each other as to who should pay the most. I question whether any people ever paid a tax more honestly and accurately, and I question still more whether any free people ever imposed upon themselves, through their chosen Representatives, taxes so thick and fast.

If our income tax should be contemplated as a part of the permanent policy of the country it is not to be denied that it would need various and perhaps fundamental amendments. The objections to such laws are sufficiently obvious.

1. They are inquisitorial of necessity in their character, and Americans, like people elsewhere, though not averse to a knowledge of the secrets of others, are quite unwilling to disclose their own. Among commercial men such disclosures may be disastrous. If they show prosperity they invite envy and greater competition; or if they show any remarkable leanings they damage credits.

2. The temptation to make understatements and lend to these statements the sanction of an oath tends to sap and mine public morals, until men begin to excuse themselves for their own wrong doing, because, it being so common, that to do otherwise would be to fail in average smartness.

3. When we take into consideration the sources from which income is derived, the habitudes of the different persons who pay the tax, the difficulty of apportioning it so that each will have paid in just proportion to every other person, leaving each relatively in the same conditions, the perplexities become almost insurmountable.

Entertaining such views, and the pressing exigency having passed, we have undertaken to lessen but not to entirely remove the weight of the income tax. To this end we propose to exempt the first \$1,000 of every person from any tax and only to reach any excess beyond that amount. This will increase the sum exempt from \$600 to \$1,000. Exactly how much of a reduction it will make in our receipts cannot be foretold, but probably not over ten to fifteen per cent., while it is likely to diminish the number of persons taxed nearly one half.

If it should excuse fifty thousand persons, then the reduction will amount to \$1,000,000 for every such fifty thousand persons. There is perhaps no just reason for excusing any portion of the income of any one from the tax, except that of the hardship and the inability of persons with a limited income to spare any part of it, but that is enough.

In a republican form of government the true theory is to make no distinctions as to persons in the rates of taxation. Recognizing no class for special favors, we ought not to create a class for special burdens. Pursuing this principle a majority of the Committee of Ways and Means have agreed to that portion of the bill which makes the income tax after this year a uniform one of five per cent. upon the annual gains. The loss to the revenue will be large—about \$17,000,000—and it will be for the House to say whether the bill shall stand as reported or whether relief in any other direction is more urgently demanded.

I shall append to my remarks an appendix containing an estimate, made with the aid of the office of the Commissioner of Internal Revenue, of the reductions appearing to me likely to occur in consequence of the present revision of the law. Other gentlemen may differ from me and count upon greater compensations to counterbalance these reductions; but I have never found that sanguine financial predictions were safe for legislators.

In our list of exemptions we strove to reach earliest those articles upon which a reduction of cost would bring relief to the masses of our people, and those which are produced with such lean margins of profit as to be opposed and in danger of being annihilated by even so small a tax as five or even three per cent., which is not unfrequently, upon branches of industry closely cornered by foreign competition, in excess of what may be considered regular and satisfactory profits.

I know that many gentlemen will render valuable assistance in the progress of the bill, and all will feel bound to show that they are alive to and not unmindful of the interests of their respective localities, and some may wish to press amendments giving such interests further relief; and it is fair to allow a prominent record of the fact to appear in the *Globe*; but if the House shall reach the conclusion that we have proposed measures which will reduce the revenue as much as it will be prudent to do this year—keeping in view the unestimated drafts our legislation has made and is likely to make upon the Treasury—remembering, in the large operation of funding our national obligations so that they may bear the lowest rate of interest, that fifty millions now may be more important to success than two hundred millions at a later period—I trust that the good sense and forecast of members will lead them to vote down propositions for essential changes.

The result of the labor of the Committee of Ways and Means is, that of the headings in the Commissioner's report of the "receipts from specific and general sources" fifty-nine out of two hundred and sixty-four will no longer be

required, and the number of articles released, in proportion to the whole number remaining taxed, is still greater.

The law authorizing the Secretary of the Treasury to assign to the Bureau of Internal Revenue a sufficient force to carry it on will expire by its own limitation on the 1st of July next, and it therefore becomes necessary to make some arrangement for the permanent organization of the bureau. It will be seen that the bill makes provision for this object. The operations of this bureau are now on so large a scale as to require the services of able, clear-headed men, trained to business, and of unquestioned integrity. Such men in our country are highly prized, and command the highest salaries paid in financial and commercial employments, and unless we fix salaries at an adequate or competing point we shall only command the services of second-rate men. The bane of the Treasury Department is that so soon as officers receive the stamp of its confidence they receive a loud call and the offer of more pay to go elsewhere. The best officers are, therefore, often mere birds of passage, here to-day but may be gone to-morrow. The Bureau of Internal Revenue, it is quite apparent, is deficient in executive force. It is impossible that the Commissioner, however faithful and industrious, and I know of no man more so, should be able to consider all the complicated cases daily arising for investigation in the administration of his office, and we have conceded not only the propriety but the absolute necessity of reinforcing the office by two additional deputies and one solicitor.

Notwithstanding all the disadvantages we have labored under in putting new and untried laws suddenly into operation, it is gratifying to find that the expense of collecting the revenue has been far less than was anticipated—including everything except printing done by the Public Printer—amounting, in 1865, to no more than two and seventy-five one hundredths, or two and three fourths per cent. This contrasts most favorably with the cost of collection in Great Britain, where, after years of experience, the cost varies from four and one quarter to five and three fourths per cent.

The services of the gentlemen employed on the revenue commission, I have no doubt, are properly appreciated by Congress, as they will be by the country, and the Committee of Ways and Means were unanimously, I believe, of the opinion that this kind of service should not be entirely discontinued. Believing that at least one similar officer can be profitably employed permanently, they have added a section to the bill for this purpose, and I have no doubt it will prove wise economy to adopt and continue it so long as we may be compelled to raise anything like our present revenues from taxation.

The military power of the United States needs no eulogiums from any quarter. Its supremacy at home is not likely to be questioned, and when it is challenged elsewhere it will be time enough to answer back. Its financial power, also, even in the agonies of civil strife, has been vindicated. No stain of dis-

honor rests upon its credit. Every promise has been kept with entire good faith. No creditor, holding the obligations of the nation, has had to do more than to ask and receive. No faithful soldier has closed his service without receiving at the same moment with his honorable discharge the last dollar due. Is there, then, any lurking danger as to our present and future financial condition? The confidence of the people in their own Government cannot be shaken; the vigor and elasticity of American industry is unrivaled; our resources, abundant to-day, will be greater to-morrow; no empire, ancient or modern, ever received, daily or annually, revenues of equal magnitude, and the wealth hidden in some of our single mountains, if it could be placed in the balance, would make our national debt kick the beam. Where, then, is the cloud no bigger than a man's hand? It rises only in that quarter from whence disloyal representatives may come. Open and inchoate repudiators lust for power. Save us from these and the United States Government will survive, with its credit and civil glories radiant with youth and the fame of ages, long after the final chapter in the history of anti-republican Governments shall have been written.

#### APPENDIX.

<i>Estimated deductions on articles exempted and partly exempted from tax.</i>	
Animal charcoal.....	\$3,000
Alum.....	5,000
Beechwax.....	3,000
Barrels, casks, boxes.....	250,000
Blooms, slabs, loops.....	60,000
Boots and shoes.....	4,400,000
Brass, rolled sheet copper.....	700,000
Sheathing and yellow metal.....	
Building-stone of all kinds, burr-stones, grind-stones, monuments, roofing slate, slabs and tiles.....	400,000
Brick, draining-tiles and water-pipes.....	282,000
Bichromate of potash.....	30,000
Blue vitriol and copperas.....	10,000
Coffins and burial cases.....	50,000
Crucibles.....	10,000
Crates and baskets.....	15,000
Crutches, artificial limbs, eyes, and teeth...	25,000
Copper, lead, and tin.....	400,000
Clothing.....	11,600,000
Feather-beds, mattresses, &c.....	125,000
Fertilizers of all kinds.....	100,000
Flasks and patterns.....	5,000
Gloves and mittens.....	30,000
Gold-leaf and foil.....	32,000
Hemp and jute prepared for textile purposes.....	25,000
Hubs, spokes, fellocs, wooden handles for tools and implements.....	175,000
Hulls of ships and other vessels.....	500,000
Income, increase of exemption from \$600 to \$1,000.....	3,000,000
Income, reduction from ten to five percent. on sums over \$10,000.....	17,000,000
Iron advanced beyond pig, slabs, and loops.....	400,000
Iron, railroad rerolled.....	582,000
Iron, pig.....	2,000,000

Iron, railroad.....	426,000
Iron castings for bridges.....	100,000
Iron, malleable.....	100,000
Keys, actions, and strings for musical instruments.....	125,000
Lamps and lanterns.....	50,000
Moldings for picture-frames, &c.....	5,000
Mineral waters, &c.....	125,000
Mineral coal of all kinds.....	1,250,000
Metallic nickel, quicksilver, manganese, cobalt, &c.....	12,000
Metallic zinc.....	50,000
Masts, spars, and ship clocks.....	45,000
Oxide of zinc.....	60,000
Paper, books, charts, and book-binding.....	2,072,000
Productions of stereotypers, electrotypers, lithographers, and engravers.....	60,000
Photographs.....	25,000
Plows, cultivators, harrows, straw and hay cutters, planters, seed-drills, horse-rakes, and winnowing-mills.....	1,500,000
Paints and colors.....	50,000
Putty.....	1,000
Paraffine oil and crude petroleum.....	2,100,000
Quinine, morphine, &c.....	12,000
Repairs.....	730,000
Railroad chairs, ship-spikes, ax-poles, horse-shoes, rivets, horse-shoe nails, nuts, washers, bolts, vises, iron chains, anchors, anvils.....	350,000
Roman and water-cement and lime.....	144,000
Starch.....	100,000
Soap.....	33,000
Steel.....	300,000
Spelter.....	10,000
Salcratus, soda ash, caustic soda, crude soda, bicarbonate of soda, &c.....	50,000
Sulphate of barytes.....	30,000
Spindles and castings for locks and machinery.....	300,000
Stoves in part of cast iron and sheet iron or soapstone.....	50,000
Sails, tents, awnings, and bags.....	125,000
Tin cans.....	25,000
Umbrellas and parasols.....	111,000
Vegetable, animal, and fish oil.....	600,000
Value of bullion used in wares and in watches.....	20,000
Vinegar.....	50,000
White lead and whiting.....	78,000
Yeast powders.....	
Yarn and warp.....	400,000
Licenses.....	13,000
Naphtha.....	5,000
Slaughtered animals.....	1,200,000
Schedule A.....	1,350,000
Schedule C (receipts).....	200,000
Freights.....	4,850,000
Salt.....	200,000
Soap (additional).....	300,000
Steam-engines, &c.....	350,000
Tobacco.....	650,000
Brokers' sales.....	500,000
Savings banks.....	50,000
General tax reduced from six to five per cent.....	12,000,000
Telegraphs.....	125,000

#### *Not estimated.*

Bristles, flavoring extracts, deerskins, oakum, verdigris, illuminating gas of educational institutions, paintings and statues, aniline colors, bleaching-powders, tar, turpentine, candle wicking.